

MUNICIPALITY OF GEDDES
INTERNAL CONTROL REVIEW

August 11, 2005

**MUNICIPALITY OF GEDDES
MUNICIPAL OFFICIALS
August 11, 2005**

Mayor:

Darwin Iedema

Governing Board:

Carol Oberbroekling

Earl King

Ron Dufek

Brenda Schnabel

Otto Tronvold

Sue Schulte

Acting Finance Officer:

Pat Brotherson

Municipal Attorney:

John Stekly

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAWS 4-11-4.1

Governing Board
Municipality of Geddes

We have made a study of selected elements of internal control of the Municipality of Geddes in effect at August 11, 2005. Our study was performed pursuant to South Dakota Codified Laws 4-11-4.1 and was limited to selected accounting controls contained in the codified laws and other selected controls we felt were significant to the Municipality of Geddes. Our study was not conducted in accordance with the standards established by the American Institute of Certified Public Accountants for the purpose of giving an opinion on internal control in effect at the Municipality of Geddes.

The management of the Municipality of Geddes is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

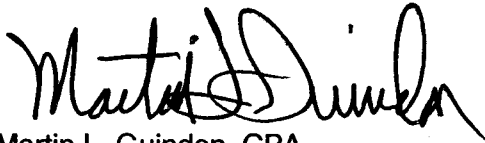
Our study was more limited than would be necessary to express an opinion on internal control of the Municipality of Geddes. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality of Geddes. Accordingly, we do not express an opinion on internal control of the Municipality of Geddes in effect at August 11, 2005.

However, our study did disclose weaknesses in internal controls of the Municipality of Geddes in effect at August 11, 2005, as discussed below:

- a. The governing board did not adopt a policy establishing the minimum cost of items that should be considered fixed assets of the Municipality. In addition, general fixed asset records, enterprise fund fixed asset records and depreciation schedules were not established or maintained.

- b. The finance officer's surety bond coverage did not comply with the requirements of SDCL 9-14-6.1. The law requires a bond equal to the amount of cash on hand but coverage need not exceed \$150,000. The Municipality's cash balances were approximately \$118,000 at December 31, 2004, while the surety bond coverage was only \$100,000.
- c. The Municipality did not maintain a revenue budget record and expenditure budget record.
- d. The Municipality did not use prenumbered checks until approximately June 2005.
- e. A subsidiary record of utility deposits collected from utility customers was not properly maintained or reconciled to a control account on a monthly basis. As a result, the Municipality was not able to determine who was due a refund of this deposit upon termination of municipal services.

This report is intended solely for the use of management and the governing board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Martin L. Guindon, CPA
Auditor General

August 11, 2005

**MUNICIPALITY OF GEDDES
AUDITOR'S COMMENTS**

Closing Conference

The contents of this report were discussed with finance officer, Pat Brotherson and Mayor, Darwin Iedama, on August 11, 2005.